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except by direction of the governor, or upon the request of the mayor of the city or president of the village, with the approval of the governor.

**Ideal Anti-Loan Shark Statute.—**

Those who have in charge anti-loan shark legislation in any state cannot be urged too strongly against making substantial corrections or alterations in the act. Good intentions will not make effective legislation intended to be remedial unless it is based upon sound economic laws.

The provisions of "The Ideal Anti-Loan Shark" Statute are constitutional, economically sound and remedial to the borrowing public, while fair to legitimate money-lenders.

Neither the licensing and supervision of the state banking department, nor the loan rate; the amount and conditions of the bond to the state, nor other principal provisions should be altered. All other sections and sub-sections of the draft of the act is essential to round out and complete the bill, so as to insure protection of the public and establishment of legitimate competition between money-lenders, thereby lowering the rate which borrowers are required to pay for small loan accommodations.

If further instructions, or special information is desired by any interested in anti-loan shark legislation with a view to legalizing, standardizing, dignifying and regulating the business under laws fair both to borrowers and lenders, they are requested to communicate with the undersigned bureau. It is especially devoted to reform anti-loan shark legislation. Correspondence is invited.

The "Ideal Anti-Loan Shark Statute" is a revision and extension of the regulations of the Uniform Small Loan Law. The difference between it and the Maryland Act can readily be compared with the aid of the cross index references in this work, to which the student is referred.

Several sections and sub-sections of the Ideal Anti-Loan Shark Statute are not contained in the other draft known as the Uniform Small Loan Law, as follows:

Section 1(a), 1(b); section 4(a); section 5(a); section 6; section 8; section 9; section 10; section 12(a), 12(b); section 13; section 14; section 15, 15(a); section 19(b); section 20(a); section 23, 23(a); section 25; section 26; section 27(a), 27(b); section 29, 29(a); section 30; section 32(a); section 34, 34(a), 34(b); section 35 and 35(a).

The statute follows:

*An act to regulate the business of making small loans, by means of requiring money-lenders to furnish bond and obtain a license, who charge a rate of interest, compensation, fees and expenses amounting to more than the general legal or contract interest rate of this state, for loans to any person of not exceeding three hundred (\$300) dollars; by prescribing the maximum charges for loans which licensees and others may contract for or receive and the manner and terms upon which licensees shall conduct business; by providing repayment in weekly or monthly installments; by regulating chattel mortgages and assignments of part of salaries, wages, or other compensation for services, earned or to be earned by borrowers, as security to licensees; by restricting the security or collateral to be taken by licensees; by prohibiting false or deceptive advertisements or circulars concerning small loans; by fixing penalties and forfeitures*

for violation of certain provisions of this act and suspension of license; by prescribing certain duties of the ..... , in respect to licensees and review of his findings by certain courts of law having appellate jurisdiction; by directing the attorney general to prosecute alleged violations; by appropriating the license fees; by providing for regulation of pawnbrokers licensed by municipalities; by providing that premises occupied by unlicensed money-lenders shall be a disorderly house and public nuisance and for vacation of such premises; by repealing chapter..... of the acts of 191..., entitled ..... and all other acts and parts of acts inconsistent with the provisions of this act.

PREAMBLE

Whereas, There is and has long been conducted in this state an extensive business of making small loans to persons in need of funds to meet immediate necessities, of little financial responsibility and unable to furnish indorsements or securities acceptable to banks and financial institutions;

And Whereas, The conduct of such loan business has long been a cause of general complaint and of much hardship and injustice to poor borrowers, and there is no existing legal regulation of the business of making small loans that has proved effective for the protection of such borrowers and for the punishment of usurious money-lenders, and the suppression of extortionate practices:

And Whereas, It is recognized that the business of lending small sums of money, repayable in weekly or monthly installments, unsecured or upon unsubstantial security, does exist and will persist through public necessity for such loan service and that there exists a legitimate need for a law which will enable such loans to be obtained and the lenders to be licensed and supervised under proper restrictions and regulations;

And Whereas, It is desired to suppress the "loan shark" evil, by authorizing and regulating the conduct of the business of making small loans, upon fair and lawful terms, thereby inducing reputable money-lenders to obtain state licenses,

Therefore, This remedial act in exercise of the police power of the state to promote the public welfare by giving relief to needy borrowers and by regulating the business of making loans of the classification defined, which demands appropriate legislation, based upon a necessity springing from distinct differences from other classes of money-lenders and loans.

PART I

Section 1. (*What small loan business regulated: license required to engage in.*) *Be it enacted by the.....*

It shall be unlawful, without first having obtained a license as provided in this act, for any money-lender to engage, or continue, in the business of making small loans, at a charge therefor of interest, compensation, fees and expenses amounting to more than the general legal or contract interest rate of this state, whether such loan charges are made directly or indirectly, or by any device or pretense of charging any person for services as principal, agent, broker, or otherwise, for any small loans, or for becoming surety, guarantor, or indorser therefor.

(a). (*What indirect transactions shall be subject to act.*) When an application for a loan is made within the state, and the money is advanced directly or indirectly, without said state in consequence of such application, such transaction shall be deemed a loan made within the state, and all the parties within or coming within said state aiding in making it shall be subject to the provisions of this act. Any person, directly or indirectly engaged in the business of negotiating, arranging, or aiding the borrower or lender in procuring or making small loans, whether such loans are actually made by such person, or by other persons, shall be deemed to be engaged in the business of making small loans, and shall be subject to the provisions of this act.

(b). (*Definitions of terms employed in this act.*) The terms "licensing official," when used in this act, means the..... of this state.

The term "small loan," when used in this act, means a loan of money, or other valuable thing, not exceeding three hundred dollars (\$300) to any person, which sum shall relate to any transaction whereby any person becomes surety, guarantor or indorser for any person, in a sum of not exceeding three hundred dollars (\$300) or the value thereof.

The term "money-lender" when used in this act, means any person, directly or indirectly engaged, or seeking to engage, or continuing, in the business of making small loans, who or which customarily charge more than the general legal or contract interest rate of this state, whether such money-lender is licensed under this act, or otherwise.

The term "charge," or "charges," when used in this act, means the unit rate to be charged or contracted for a small loan by any licensee under this act, or by any person not licensed under this act, which term shall include the rate or sum charged contracted for, or received, in the aggregate for (1) interest, or compensation for the use or forbearance of money, or thing of value, (2) reimbursement of expenses, approximately, incurred or expended in the service and accommodation of borrowers, such as preparing their applications for loans, investigating the employment and responsibility of applicants, appraising property offered as security, searching public records for liens and encumbrances, or otherwise verifying any application for a loan, accepting repayment in weekly, monthly or other installments of principal, with interest; and (3) an indemnity contribution to a fund for offsetting any losses sustained from non-payment of loans, or insufficient security.

The term "person" when used in this act, means any natural person, partnership, voluntary association, incorporated society, joint stock company, or corporation.

Section 2. (*Application for license; particulars required; amount license fee.*) Application for such license shall be in writing and shall contain the full name and address, both of the residence and place of business, of the applicant and if the applicant is a partnership or voluntary association, of every member thereof, or if an incorporated society, joint stock company, or corporation, then the name of each officer thereof, also the county and municipality, with street and number, if any, where the business is to be conducted. Every such applicant, at the time of making such application, shall pay the sum of fifty dollars (\$50) as an annual license fee, which shall be in full payment of all occupational privilege taxes or license fees that may be levied or assessed by any authority existing under the constitution or laws of this state. Said license fee shall

include any expense of examination under the administration of this act; provided, that if the license is issued for a period of less than twelve months the license fee shall be pro-rated according to the number of months that said license shall run; provided further that nothing herein shall prevent any real or personal property of any licensed money-lender from being subject to taxation for state, county and municipal purposes.

Section 3. (*Bond to state and surety required; \$1,000; penalty conditions; official approval.*) The applicant shall also, at the same time, file with the licensing official a bond in which the applicant shall be the obligor, in the sum of one thousand (\$1,000) dollars, with one or more sufficient sureties to be approved by said licensing official which bond shall run to the state of..... for the use of the state and of any person who may have a cause of action against the obligor of said bond under the provisions of this act. Such bond shall be conditioned for the faithful observance, by the licensed money-lender, of the duties and charges pertaining to the loan business so licensed and the prompt payment of any judgment recovered against him, them or it, for which any licensee may be liable, under the provisions of this act. No surety on any such bond shall be held liable to satisfy judgments obtained during any license year, to any amount or sum in excess of the maximum penalty of the bond; but every licensed money-lender, as principal of any bond shall be subject to the payment of any or all judgments against him or them, obtained for violations of this act.

Section 4. (*When license shall issue; by whom issued; when expires; not assignable.*) Upon the filing of such application and the approval of said bond and the payment of said license fee a money-lender's license shall be issued to the applicant to make loans in accordance with the provision of this act, for a period which shall expire the first day of.....next following the date of its issuance. Such license shall not be assignable.

(a). (*Annual renewal of license, upon refiling bond, or renewal receipt.*) It shall be unlawful for any licensed money-lender to continue in the loan business described in section one (1), after the expiration of his or their license and bond to the state, as required by this act, unless, before expiration thereof, said surety bond is renewed and refiled; or, if such surety is furnished by any corporation, licensed under the insurance laws of this state, an annual renewal receipt, or continuation certificate may be refiled; otherwise such licensed money-lender shall forthwith cease the business of making such loans. A new application shall not be required for the consecutive annual renewal of any license.

Section 5. (*Additional bond may be required of licensee; failure to furnish.*) If the surety shall be a corporation and its license to conduct a fidelity or surety business, under the insurance laws of this state, shall be terminated, cancelled or withdrawn; or if in the opinion of the licensing official the bond shall at any time appear to be insecure, exhausted, or otherwise doubtful, an additional bond in the sum of one thousand dollars (\$1,000), as required by section three (3) shall be filed within ten days after notice is delivered to the licensed money-lender. Upon failure of the obligor to file such additional bond, the license shall be suspended as provided in section twelve (12).

(a). (*Additional bond required when surety liable for penal sum of existing license bond.*) In like manner an additional bond shall be required in event that the surety on any bond shall have become liable by reason of payments made, or judgments obtained, against them amounting to the penal sum thereof,

for liability upon such bond under section three (3) for violation of this act.

Section 6. (*Restricting use of words "provident" and "remedial."*) No license shall be issued to any person or partnership or voluntary associations doing business under a trade name which shall include the words "Provident" or "Remedial"; nor shall any license be issued to any corporation having as part of its title the words "Provident" or "Remedial," unless such corporation is a domestic corporation and shall file with its application for license a duly authenticated copy of a resolution of the directors and also a confirming resolution of the stockholders of such corporation, or a copy of its certificate of incorporation, or an amendment thereto, providing that such corporation shall not declare or pay dividends to its stockholders in excess of seven per centum (7%) upon the book value thereof, in any year.

Section 7. (*Licensed pawnbrokers, banking institutions, bankers, or building and loan associations not required to obtain license to make loans at their usual lawful charges.*) A state license shall not be required under this act, by licensed pawnbrokers, banking institutions, trust companies, private bankers, or building and loan associations to make loans at rates of interest, discount or other charges if not in excess of what they are authorized to make by general or special laws applicable to them.

Section 8. (*License fees appropriated; how disbursed; official report to state treasury.*) All license fees herein provided for shall be collected by the licensing official and shall be turned into the state treasury. The licensing official shall have full power to employ such examiners or clerks to assist the licensing official as may from time to time be deemed necessary and fix their compensation, and all salaries and expenses necessarily incurred in the administration of this act shall be paid out of license fees collected and turned into the state treasury under the provisions of this act, upon the presentation of itemized vouchers, duly verified, and having the approval of said licensing official. The licensing official shall issue his warrant on the state treasurer for such salaries and expenses, and the state treasurer shall pay the same out of said fees, and for that purpose the said fees are hereby appropriated for use during each fiscal year.

Section 9. (*Annual report of licensed money-lenders to licensing official; official investigation of books upon failure to file; fees and expense.*) Every money-lender licensed under this act shall, during the month of November in each year, file with the licensing official an annual report, upon a form to be prescribed by him, from time to time, reporting the fact and figures requisite to enable the licensing official to make his annual report, as provided in the following section. In event of the neglect or refusal of any licensee to make, sign and deliver an annual report to the licensing official, as herein provided, the licensing official shall cause an examination of the books, papers and securities of such licensee to be made forthwith by a deputy or examiner, so as to obtain and verify the report herein required. Said report shall be signed by the manager in charge of the loan office of such licensee, and upon failure to so make and sign same, the licensing official shall be authorized to proceed against said licensee under section twelve (12) for violation of this act. Provided that upon the neglect or refusal of any licensee to make, sign and deliver an annual report as herein required, such licensee shall be chargeable with the traveling expenses and a per diem of twelve (12) dollars per day for said deputy or examiner, while engaged in travel to and from and during such examination, and

the license bond of every such licensee shall be liable therefor, in event of the failure of such licensee to pay such fees and expenses promptly to the licensing official.

Section 10. (*Annual report of licensing official to governor; what to contain.*) The licensing official shall, in his annual report, include a summary of the division of small loans, which shall include the following information based upon the records of his office and compiled from reports of licensees to him, as follows: (1) A list of the names and addresses of the money-lenders licensed under this act; (2) the total aggregate capital employed by such licensees; (3) the total aggregate number and amount of small loans made by all licensees during the year; (4) the number of license bonds sued upon for alleged violation of this act during the year, if any; (5) the number of attachments against salary or wages of borrowers during the year sued out by licensees; (6) the number of chattel mortgages foreclosed or property sold by licensees during the year; (7) the number of charges, if any, preferred during the year against licensees, and the number of which were officially investigated and found sustained, if any; (8) a list of licenses, if any, suspended, or revoked during the year with summary of reasons therefor.

## PART II

Section 11. (*Official supervision; right to investigate loans and business; right to enter offices and examine books, etc.*) Licensed money-lenders shall be under the supervision of the licensing official, who for the purpose of discovering violations of this act, may personally, or by a deputy or examiner, investigate the loans and business of every money-lender and of every other person, by whom, or for which any such small loans shall be made, whether such person shall act, or claim to act as principal, agent, or broker, whether under or without the authority of this act; and for that purpose such official shall have the right to enter and remain in any small loan office, on any business day and shall have free access to the books, papers, records, cards, securities, desks, cabinets, safes and vaults of all money-lenders, whether licensed or otherwise.

Section 12. (*Complaint of violation of act; notice of charges; evidence and witnesses; official hearing and finding; suspension of license.*) The licensing official shall notify every licensed money-lender of any charge of violating this act which is being considered, also of the nature of any documentary evidence and the names of the witnesses who complain and shall give at least five (5) days' notice of the time and place fixed for hearing such complaint. The licensed money-lender may also submit a list of witnesses desired to appear in his defense and they shall be officially notified to attend such hearing. Hearings may be adjourned from time to time. The licensing official shall have authority to administer an oath to each witness, or take an affirmation, in due form, and examine him in respect to his knowledge of any alleged violation of this act by, or in behalf of, the licensee. If the licensing official shall ascertain and determine the fact that any licensed money-lender has knowingly violated any provision of this act, the licensing official shall suspend such license, and shall serve upon such licensed money-lender a copy of his finding and the reasons therefor; whereupon authority of such licensee to make small loans under this act shall be revoked during the period of such official suspension.

(a). (*Concerning compulsory testimony; books, papers, etc., at hearings.*) No natural person shall be excused from attending and testifying or from producing books, papers, mortgages, assignments, applications and documents before the licensing official, or in obedience to the notice or order of the licensing official, or in any cause or court proceeding, criminal or otherwise, based upon or growing out of any alleged violation of this act, on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him, may tend to criminate him, or subject him to a penalty or forfeiture. But no natural person shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter or thing, concerning which he may testify, produce evidence, documentary or otherwise, before said licensing official, or in obedience to his order, or in any such hearing or proceeding; provided, that no natural person so testifying shall be exempt from prosecution and punishment for perjury committed in so testifying.

(b). (*Failure to testify; immunity of witnesses; punishment.*) Any natural person who shall neglect or refuse to attend or testify or to answer any lawful inquiry or to produce books, papers, mortgages, assignments, applications or other documents, if in his power to do so, in obedience to the order or lawful requirement of the licensing official, shall be guilty of a misdemeanor and upon conviction thereof by a court of competent criminal jurisdiction, shall be punished in the discretion of the court.

Section 13. (*Petition to court for review of official findings.*) A petition may be filed in any court of law having appellate jurisdiction of civil causes and sitting within the county where such alleged offense was committed, for a review of such official findings of fact, suspension or suspension of license, if filed within thirty (30) days thereafter, upon filing a copy of such official finding, or suspension of license. Upon reviewing such findings, a decision shall be rendered by the court, as to whether the evidence sustains the official findings as to fact and law; whether the licensing official has exercised his authority according to law; and whether any constitutional rights of the complaining party have been invaded. Pending such court review the order appealed from shall be stayed.

Section 14. (*Attorney general to prosecute alleged violations.*) In all complaints of any alleged violation of this act by any licensed money-lender under this section, before the licensing official or upon review of his order or suspension of license before any court, it shall be the duty of the attorney general of this state, in person or by an assistant, to appear in said proceedings and at such hearing or hearings, to represent the state to the end that the regulations and restrictions of this act shall be observed and enforced.

Section 15. (*Local licensing officials to promulgate pawnbroking regulations, subject to approval of licensing official.*) Every clerk, official or body of any municipality or county of this state, authorized to issue licenses to persons to engage in the business of pawnbroking, under chapter..... of the laws of 19...., shall, from time to time, establish and promulgate administrative rules for the regulation of such pawn loan business as to all loans, not exceeding three hundred dollars (\$300), for the better protection of the public, but not contrary to law; which regulations, before they shall be promulgated or become effective, shall be to the satisfaction of the licensing official named in this act, and subject to his written approval thereof.



(a). (*Local police officers may inspect any pledge to aid in locating lost or stolen property.*) Any police officer of any municipality in this state, for the purpose of locating any personal property, sought to be recovered as lost or stolen, shall have authority, during business hours, to inspect any personal property pledged to any licensed lender, as collateral, and all papers and obligations taken in connection therewith.

### PART III

Section 16. (*Restrictions of trade name; one place of business under each license.*) It shall be unlawful for any licensed money-lender to transact the small loan business provided for by this act, under any other name, or at any other address than that named in the license; and such licensed money-lender shall maintain an office at said address and display the licensee's name and number on the outer office door. Not more than one place of business shall be maintained under the same license; but more than one license may be issued to and obtained by the same money-lender upon the paying for each additional license and filing a satisfactory bond.

Section 17. (*License to be posted; how and where.*) The license shall be kept conspicuously posted in the place of business of the money-lender designated in the license.

Section 18. (*Changing place of business; official indorsement on license.*) Whenever any licensed money-lender shall change the address where he conducts the small loan business, he shall at once give written notice thereof to the licensing official who shall indorse on said license such change of address and date thereof.

Section 19. (*Books and records; how to be kept; how long to be preserved; approval of forms.*) Every licensed money-lender shall keep such books and records as will enable the licensing official to ascertain and determine the fact that the provisions of this act are observed. Every money-lender shall preserve the records of final entry used in such business, including cards used in the card system, if any, for a period of at least two years after the making of any loan recorded therein. The licensing official may approve, as to the legality of their provisions, the forms of application for loan, note, chattel mortgage, assignment of wages or pass book, used by money-lenders in connection with loans made under this act.

(a). (*Books, papers and securities to be kept in office; not removed or destroyed.*) All books, papers, records used and notes or securities taken in connection with the loan business of licensed money-lenders shall be kept in the office of such licensee, at the licensed address thereof, and shall not be removed therefrom, or destroyed, except as provided in this section.

(b). (*Misdemeanor to make false entries in any books, papers, etc., concerning a small loan.*) It shall be unlawful for any licensee, or any agent, employee or representative thereof, to make any false entry in any book, paper, record, or statement in connection with the payment of any sum of money lent or repaid, or the charges therefor and the dates thereof, and any person, upon conviction thereof, shall be guilty of a misdemeanor and punished by a fine not exceeding fifty (\$50) dollars, in the discretion of a court of criminal jurisdiction.

Section 20. (*False or deceptive advertisements and circulars prohibited.*) It shall be unlawful for any licensed money-lender or other person engaged in

the business described in section one (1), to print, publish, or distribute, or cause to be printed, published or distributed in any manner whatsoever, any written or printed advertisement or circular containing any material statement which is false or deceptive, with regard to the bona fide charges, or conditions respecting the terms upon which such loans or transactions are to be made.

(a). (*Each money-lender required to print his name in each advertisement or circular issued; what inducements forbidden.*) If any money-lender shall print, publish or distribute, or cause to be printed, published or distributed, in any manner whatsoever, any written or printed advertisement or circular to which the name and address of such licensee is not attached; or if any advertisement is published for, or circular issued by any licensee in which the terms of charges for loans are described as "low rates," "cheap money," or terms of like effect, or shall therein offer any gift, premium, or free use of money for a preliminary period, as an inducement to borrowers, the licensing official, upon receipt of knowledge of same, shall notify such money-lender to desist therefrom, and upon a subsequent violation of this sub-section coming to the attention of the licensing official, he may proceed upon such complaint under section 12 of this act.

Section 21. (*Debt limited to \$300 principal.*) No person shall owe any money-lender, licensed at any address, more than three hundred (\$300) dollars for principal at one time, at the charges authorized by this act, in excess of the then general legal or contract interest rate.

Section 22. (*Forfeiture of usurious small loans; usurious debt not to be enforced.*) Upon complaint, or defense, of any borrower of a small loan that a money-lender, whether licensed under this act, or otherwise, has charged or received usury, in connection with such small loan, such debt shall be declared forfeited and shall not be collectible by such lender or his assignee, if such complaint or defense of usury shall be sustained, nor shall such debt be enforced by any court of law or equity, or by any justice of the peace in this state, such enforcement being hereby declared to be against public policy.

Section 23. (*Charges for loans on government, state and municipal bonds forbidden.*) No licensed money-lender shall take a higher rate of interest or charges than the general legal or contract interest rate of this state, when the collateral security for such loan includes any bond or other debt or loan obligation of the United States Government, or of any State of the Union, or of any municipal body politic of this state.

(a). (*Charges limited when real estate security taken.*) No licensed money-lender shall take a higher rate of interest or charges than the general legal or contract interest rate of this state, when security for such loan includes any mortgage or conveyance of real estate, or any interest therein.

#### PART IV

Section 24. (*Industrial lenders plan: maximum charges on small loans by licensees.*) It shall be lawful for any licensed money-lender hereunder to make loans to any person at a rate not exceeding three and one-half (3½%) per centum per calendar month, inclusive of all charges incident to the making of such loan; provided, same is made upon a plan whereby (1) that each borrower shall have the privilege of repayment in approximately equal weekly or monthly installments of principal as agreed, but during not less than five (5)

months or more than twenty (20) months; (2) that every borrower shall have the right to anticipate payments on principal in advance of agreed dates and terminate further charges on such sums paid; (3) that all borrowers are required to execute written evidence of such loan stating the terms thereof; (4) that no licensee hereunder shall charge any fine for default in prompt payment of any installment of any loan; that charges for the making and use of any loan hereunder shall be computed upon the unpaid balances of principal, for the actual time due and the charges authorized by this section shall not be payable in advance, or compounded; provided further, that if greater aggregate charges shall be collected or received under this section, on any loan, than the maximum charges authorized hereby, such loans shall be usurious.

(a). (*What charges prohibited and what may be reimbursed.*) No money-lender shall be authorized to charge or receive any additional sum for preparing any loan application, for investigating the credit of any applicant or his guarantor, for appraising any chattels offered as security, for examining public records of judgments, chattel liens or encumbrances, or otherwise for services, expenses, brokerage or fines, whether a loan is granted or not; but this shall not forbid reimbursement of the lawful fees, if any, actually, and necessarily paid out by the licensee to any public officer, for filing, or recording in any public office, or for acknowledging any instrument securing the loan.

Section 25. (*Morris Company's plan; alternate charges authorized, in lieu of Section 24, for loans by incorporated companies made upon a certain plan of weekly payments, subscription for and plan of certificates of indebtedness and certain fines for delinquency and charges for investigation, services and expenses.*) In lieu of the maximum charges for compensation, reimbursement of expenses and contribution to losses, allowed licensed money-lenders under section 24, it shall also be lawful for any incorporated domestic companies licensed hereunder to make loans at a rate not exceeding the general or conventional legal interest rate per annum of this state and deduct such interest for not exceeding one year at the time of making such loan, provided same is made upon a plan whereby (1) the borrower is required to subscribe to certificates of indebtedness of such incorporated licensee, equal in amount to the sum borrowed and to pay therefor in uniform weekly installments for not less than fifty (50) weeks; (2) that such certificate be pledged to the licensee as additional security for such loan, upon the understanding that when fully paid up, the withdrawal value will be applied to cancel such loan indebtedness; (3) that such licensee shall have the privilege of charging a fine for default in prompt weekly payment upon any such certificate of indebtedness, not exceeding five (5) cents per hundred (100) dollars of par or maturity value thereof as an offset, in the form of liquidated damages, for loss of earning power through such failure to make prompt payment of any installment as agreed, but such fines shall not be cumulative for more than five (5) weekly charges; (4) that a charge for every loan pursuant to the plan under this section may be made of one (1) dollar for every fifty (\$50) dollars lent, or fraction thereof, for expenses, including any examination or investigation of the character and circumstances of the borrower, co-maker or surety, and the drawing and taking the acknowledgment of necessary papers, or other expenses incurred in making the loan; but no charge shall be collected unless a loan shall have been made as the result of such examination or investigation; (5) that in every such loan transaction by such licensee making loans upon the plan herein outlined, the

borrower will be required to furnish one or more co-makers or sureties on his note; and provided further that such incorporated licensee shall keep a separate record of all of its loans for not exceeding three hundred (\$300) dollars to any person, upon the aforesaid plan; provided further, that if greater aggregate charges shall be collected, or received, under this section, on any loan, than the maximum authorized by section 22, such loan shall be usurious.

Section 26. (*Credit union plan; alternate charges authorized in lieu of section 24, for loans by credit unions, incorporated for the purpose of promoting thrift among their members and of making loans to their members, with or without security; plan defined.*) In lieu of the maximum charges for compensation, reimbursement of expenses and contribution to losses, allowed licensed money-lenders under section 24, it shall also be lawful for any credit union, organized as an incorporated domestic mutual association, if licensed under this act, to make small loans of money to its members upon such terms and conditions as its by-laws shall provide, at a rate of charges not exceeding one (1%) per centum per month, inclusive of all charges incident to the making of such loan; provided, same is made upon a plan whereby (1) all members are required to subscribe to shares of such credit union, equal in amount to the maturity or paid-up par value of the shares therein advanced or lent to the member and pledged to the credit union; (2) that each member, whether borrower or otherwise, shall pay for the shares subscribed in weekly installments in not more than two years; (3) that for any loan, such shares be pledged to the credit union as additional security upon the understanding that when fully paid up, the value will be applied to cancel such loan indebtedness; (4) that such credit union shall have the privilege of charging a fine for default in prompt weekly payment upon such shares, of not exceeding five (5) cents per fifty (\$50) dollars of par or maturity value thereof, as an offset in the form of liquidated damages for the loss of earning power through such failure to make prompt payment of any installment as agreed, but such fines shall not be cumulative for more than five (5) weekly charges; (5) that a reasonable charge may be made to subscribers for an entrance fee for shares subscribed and also for the transfer of same; (6) that a charge for every loan pursuant to the plan under this section, may be made, of fifty (50) cents for every fifty (\$50) dollars lent, or fraction thereof, for expenses, including any examination or investigation of the character and circumstances of the borrower, co-maker or surety, and withdrawing and taking of necessary papers, or other expenses incurred in making the loan; but no charge shall be collected unless a loan shall have been made as the result of such examination or investigation. Provided further, that if greater aggregate charges shall be collected or received under this section, on any loan, than the maximum authorized by section 24, such loan shall be usurious.

#### PART V

Section 27. Every licensed money-lender under this act shall:

(a). (*Each obligation to state amount and terms of loan.*) State in every note, chattel mortgage, assignment of wages, or other evidence of indebtedness, the date of its execution, the amount of money actually lent, the charges to be paid for compensation, expenses and losses and the dates and amounts of repayment agreed upon.

(b). (*Statement of loan to be delivered borrower; what particulars to contain.*) Deliver to the borrower, at the time a loan is made, a pass book, or card stating in the English language in clear and distinct terms the date, amount and compensation for interest, fees, expenses and losses for the loan and dates and amounts of repayment agreed upon, the nature of the security given, if any; also the names and addresses of both borrower and licensed money-lender. On the back of such pass book, or card, there shall be printed in English a copy of section 22 of this act, in type not smaller than eight (8) point.

(c). (*Receipts for payments as made.*) At the time each payment is made, enter in such pass book, or card, and return it to the borrower, or give a plain and complete receipt for every payment, with date, on account of any such loan.

(d). (*Borrower may obtain copy of any note or security.*) Deliver to any borrower promptly upon his or her demand therefor, a copy of any note or security piece taken in connection with a loan to such borrower.

(e). (*Upon repayment all obligations to be cancelled and surrendered with security pledged; mortgage to be satisfied.*) Upon repayment of any loan in full, mark indelibly every obligation signed by the borrower with the word "Paid" or "Cancelled," and satisfy any mortgage, cancel and return any note and any assignment given as security and surrender any personal property if pledged by the borrower. In event of collection by foreclosure, sale, assignment, or otherwise, sale or foreclosure and satisfaction of the debt, shall be returned to the borrower, or whomsoever is entitled to the same.

Section 28. (*Restrictions of obligations and security to be taken; shall contain no unfilled blanks.*) No licensed money-lender shall take any confession of judgment, or any power of attorney to confess judgment, or sign any debt obligation or collateral in behalf of the borrowers. No licensee shall take any note, promise to pay, security piece, or any instrument in which blanks are left which may be filled after execution.

Section 29. (*Both husband and wife must sign chattel mortgage, if on household furniture in use.*) No licensee shall take any chattel mortgage, or other encumbrance on household furniture, then in the use and possession of any borrower, if married, unless his or her spouse shall be a party to such conveyance, or assent thereto in writing to be indorsed or annexed thereto; provided, that if the borrower and his or her spouse have been living separate and apart for a period of at least five months prior thereto, it shall not be necessary for such spouse to join any borrower in the execution of any encumbrance as aforesaid, or assent thereto.

(a). (*What articles of furniture, utensils, clothing, etc., in use, shall not be mortgaged.*) No such chattel mortgage, or other encumbrance, shall be taken upon any kitchen utensils, chinaware, glassware, cutlery, food, bed-clothes, bedding, curtains, clothing and other family wearing apparel in the use and possession of any borrower, or member of his or her family.

Section 30. (*Sale may be made under power in chattel mortgage; license bond liable; report of sale to licensing official.*) Should any chattel mortgage taken by any licensee, be in default, if it contains power of sale, such sale may be made upon such notice, manner and terms as therein agreed, without bill, suit, or foreclosure proceedings in a court of equity or law; and the license bond shall be liable for the proceedings and funds in the premises. A report of such sale of chattels shall be filed with the licensing official, within fifteen (15)

days thereafter, and a copy thereof kept on file in the office of the licensee, for one year thereafter, which shall be available for inspection during business hours by any person pecuniarily interested therein.

#### PART VI

Section 31. (*Restrictions of assignments of pay for services; power of attorney forbidden; when written assent of wife required.*) Any assignment of, or order for, the payment of any salary, wages, commissions, or other compensation for services, earned or to be earned, given to a licensed money-lender, as security or collateral for a small loan made under this act, shall be valid if such loan is contracted, or renewed, simultaneously with its execution and if in writing signed in person by the assignor, and not by attorney. Every such assignment when made by a married person, shall require the written assent of his or her spouse indorsed or attached thereto; provided, that written assent of a spouse shall not be required when husband and wife have been living separate and apart for a period of at least five months prior to such assignment. Chapter....., Laws of 19...., concerning assignments of wages, shall not apply to assignments made under this act.

Section 32. (*Assignment of pay or services restricted to 10% of amount as due; regulations; notice to employer.*) Every such assignment of, or order for the payment of salary, wages, commissions, or other compensation for services, earned, or to be earned in the future, given as security or collateral for a loan under this act, shall be valid if for ten per centum (10%) or less, of the assignor's salary, wages or other compensation for services, under any existing or future employment, during forty months from date such assignment becomes effective, which proportion shall be collectible by the licensed money-lender from the employer of such assigning borrower, at the time each such payment for services shall become due, from the time that a copy thereof, verified by the oath of the licensed money-lender, or his agent, together with a verified statement of the amount unpaid upon such loan is served upon the employer, who may demand to have the original of such assignment exhibited to him at the time such copy is served. Any borrower, as assignor may agree, as attorney in fact, to collect his whole salary, wages, commissions or other compensation for services, as same shall become due and be collected by him, and to pay over to the licensed assignee ten (10) per centum thereof, or less, if previously agreed, until the loan or debt shall have been repaid.

(a). (*Limitation of equitable lien on earnings from future employers.*) Any borrower may also give an equitable lien upon ten (10) per cent of his after acquired earnings from salary, wages, or other gainful employment, as same shall become due from any future employer, during not exceeding forty months next thereafter and may agree to execute a formal assignment therefor, if demanded by a licensed lender, after such new contract for employment becomes effective; provided such loan with interest shall not then have been repaid.

#### PART VII

Section 33. (*Penalties for violation of sections 1, 16, 20, 24, 25 or 26, and sub-sections; fine and imprisonment; exception.*) Any money-lender who shall violate any of the provisions of sections 1, 16, 20, or 24 and its sub-section, 25 or 26 of this act, shall be guilty of a misdemeanor and upon conviction

thereof shall be punishable by a fine of not more than five hundred dollars (\$500), or by imprisonment for not more than six months, or by both such fine and imprisonment in the discretion of a court having criminal jurisdiction. Any person, agent, manager, clerk, or other employee, or officer of the lending principal who knowingly participates in any violation of said sections of this act shall be guilty of a misdemeanor and punishable in like manner. Provided, that no unlicensed money-lender or his agents or employees, shall be criminally liable for violation of this act, unless the charge made for such small loan complained of, is in excess of twelve per cent (12%) per annum.

Section 34. (*Premises occupied by unlicensed money-lender declared disorderly house and public nuisance.*) Every building and any premises and any part of either building or premises found to be occupied by an unlicensed money-lender is hereby declared to be a disorderly house and a public nuisance.

(a). (*When unlawful to permit occupancy or premises by unlicensed money-lender; violation a misdemeanor; fine.*) It shall be unlawful for any owner, agent, lessor or trustee to lease, rent, contract for letting, or by any other means, permit any use or occupation of any building, or premises, or any part thereof, knowing, or with good reason to know, that it is habitually used, or occupied by an unlicensed money-lender, as a place of business, and upon conviction such owner, agent, lessor, or trustee, shall be guilty of a misdemeanor, punishable by a fine, in the discretion of a court of criminal jurisdiction, but not exceeding fifty (\$50) dollars.

(b). (*When lease of premises by unlicensed money-lender void; how possession regained.*) Any lease, contract, agreement or understanding which authorizes or permits the use or occupation of any building, or premises, or any part thereof, by an unlicensed money-lender, subject to this act, shall become void and of no effect, at the election of the owner, agent, lessor, or trustee, who shall be entitled to recover possession of said premises by summary proceedings in the manner provided by law applicable to tenants whose terms have expired.

Section 35. (*Citation of money-lenders' act, or short title; to whom applicable.*) This act may be cited as the "Licensed Money-Lenders' Act" and shall be applicable to all money-lenders defined in section 1 and to such other persons as shall subject themselves to the special provisions thereof, or who shall, by violating any of its provisions, become subject to the penalties provided in this act.

(a). (*How act is to be interpreted; uniformity with other states.*) This act shall be so interpreted and construed by the courts as to effectuate its general remedial purpose and to make uniform the laws of those states which enact it.

Section 36. (*What act repealed; what general acts shall not apply to licensees.*) This act shall repeal Chapter..... of the acts of 191...., concerning .....

.....  
This act shall supersede all general laws, and parts of laws, relating to regulation of and occupational licenses for money-lenders, usury, assignments of wages, chattel mortgages, duties of certain public officials and courts, as to their application to money-lenders under this act.—From Clarence Hodson, Director of the Legal Reform Bureau to Eliminate the Loan Shark Evil, 26 Cortlandt Street, New York City.